

## Sirca Paints India Ltd. (SIRCA) – Management Meet

March 16, 2026 | CMP: INR 410 | Target Price: INR 625

BUY

Sector View: Positive

Expected Share Price Return: 52.4% | Dividend Yield: 0.3% | Expected Total Return: 52.7%

Change in Estimates	XX
Target Price Change	XX
Recommendation	XX

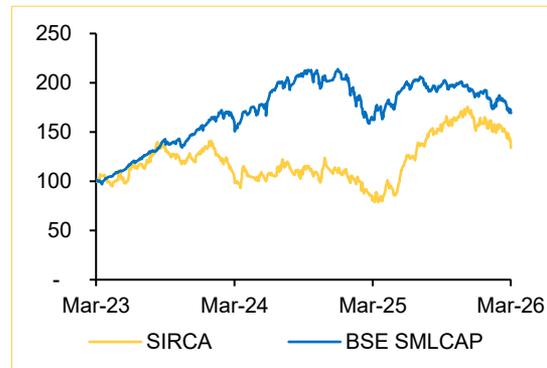
Company Info	
BB Code	SIRCA IN EQUITY
Face Value (INR)	10.0
52-week High/Low (INR)	539/231
Mkt Cap (Bn)	INR 23.27/ \$0.25
Shares o/s (Mn)	56.8
3M Avg. Daily Volume	2,41,337

Change in Estimates	FY26E			FY27E		
	INR Bn	New	Old	Dev. (%)	New	Old
Revenue	5.5	5.5	0.0	6.8	6.8	0.0
EBITDA	1.0	1.0	0.0	1.2	1.2	0.0
EBITDAM %	18.0	18.0	0 bps	18.1	18.1	0 bps
EPS	11.9	11.9	0.0	16.0	16.0	0.0

Key Financials					
INR Bn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	3.1	3.7	5.5	6.8	7.6
YoY (%)	16.4	20.0	47.3	22.7	13.0
EBITDA	0.7	0.7	1.0	1.2	1.4
EBITDAM %	22.0	18.0	18.0	18.1	18.5
Adj PAT	0.5	0.5	0.7	0.9	1.1
EPS	9.4	9.0	11.9	16.0	19.1
ROE %	16.7	14.0	14.0	16.0	16.3
ROCE %	20.3	15.1	17.2	18.5	18.6
PE(x)	40.6	45.7	34.4	25.6	21.4
EV/EBITDA	29.4	33.2	22.2	17.5	14.6

Shareholding Pattern (%)			
	Dec-25	Sept-25	June-25
Promoters	65.19	65.19	67.54
FII	6.92	6.47	5.18
DII	0.32	0.32	0.00
Public	27.57	28.02	27.28

Relative Performance (%)			
YTD	3Y	2Y	1Y
BSE Small Cap	66.8	12.3	4.1
SIRCA	34.7	36.4	60.0



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Q3FY26 Result Update Feb 1, 2026

A Compounding Story! SIRCA IC September 24, 2025

## NDR Takeaways: A Compounding Story

We hosted a Non-Deal Roadshow with Sirca Paints India Ltd. Management in Mumbai on March 13, 2026, with Institutional Investors, where discussions primarily focused on the wood coating industry dynamics (demand and supply trend, competitive edge and profitability expansion) and future growth prospects.

Management expects strong growth driven by **capacity expansion and consolidation of the Wembley and Welcome facilities, portfolio expansion into mass wood coatings, increased domestic manufacturing** of previously imported products, and **structural demand from India's growing furniture industry**, supporting medium to long-term scale-up.

## Valuation

We use a DCF-based approach to value SIRCA. Our **base case scenario** TP is INR 625/sh and the **upside scenario** (20–25% probability event) fair value is INR 800/sh, whereas our **downside scenario** (15–20% probability event) fair value is INR 360/sh.

## 1. What are the key long-term growth drivers for the company?

**Answer:** Sirca Paints India Limited **will continue to focus on the premium wood coatings segment**, where demand is largely driven by architects and premium contractors. However, **through the Welcome and Wembley brands, the company plans to expand into the mass-market segment**. While growth is expected to be supported by **mid-double-digit expansion in the wood coatings market in next few years**, rising furniture manufacturing in India, increasing demand for MDF and HDMR, and potential regulatory support from upcoming **BIS standards for furniture**, which could benefit organised players.

## 2. What is the company's capacity expansion plan and utilisation outlook?

**Answer:** The **16,000 MTPA plant** is currently **operating at ~70% utilisation** and is **expected to reach full utilisation by Q2FY27E**. The company has undertaken a **~20% capacity expansion** and is **setting up new facilities** for the Welcome and Wembley ranges. Sirca is **consolidating three Wembley units into a single facility** to improve supply chain efficiency and COGS, **expected to be operational by end of FY26**. **At full utilisation, these new facility could generate INR ~3,500 Mn revenue**, supporting the company's plan to scale revenues from INR 5,000 Mn to INR 10,000 Mn by FY30E.

## 3. How will domestic manufacturing impact margins going forward?

**Answer:** Local production of products (now ~95% manufacturing shifted in India) previously imported from Italy is **expected to improve gross margins** materially by reducing freight and customs duties (led to a **~20% reduction in the average selling price** of these products) and **improve working capital cycle** significantly (~85 days to ~35 days). However, higher marketing and advertisement spending (~7–8% of the revenue) may keep EBITDA margins broadly stable at **~19–21%** over the long term.

## 4. How is Sirca expanding beyond the premium wood coatings segment?

**Answer:** While continuing to focus on premium PU coatings under the Sirca brand, the company has expanded into the **mass segment through Welcome and Wembley brands**, leveraging their strong distribution networks in West & South Indian, and lower ASP products.

## 5. How does the company view its market share opportunity?

**Answer:** The broader wood coatings market in India is **currently estimated at around INR 100 Bn**, covering a wide range of products including lacquer, NC coatings, melamine, thinners, polyurethane, and premium polyurethane coatings. Sirca's current market share is around **4.5%**, as the total market also includes NC coatings, melamine, 1K coatings, economical PU and 2K PU, providing significant **headroom for growth (~10% by FY31E)** as the company expands its product portfolio across categories such as PU coating, NC coatings, melamine and thinners. **On PU coating segment, Sirca expects to reach around 15% market share** by end of this year.

## 6. What could be the impact of the current Gulf tensions on the business?

**Answer:** Crude-linked inputs account for **~45–50%** of raw material costs. But **management does not expect a material margin impact** from higher crude prices, **supported by ~80 days of inventory for imported materials and ~30 days of inventory for other raw materials**, which should help absorb near-term volatility. Also, **the paints companies already initiated price increase intimation** effective from end of March, which should support margin stability. However, management **expects slower demand** in the near term.

## 7. Are there any inorganic growth opportunities under evaluation?

**Answer:** The company is evaluating a **potential acquisition in the coatings segment**, possibly in **metal coatings**, which could further diversify its product portfolio and strengthen its presence across adjacent coating categories.

## Valuation Discussion

Discounted Cash Flow (INR Mn)	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
NOPAT	687	856	999	1,210	1,458	1,614	1,788	1,980	2,194	2,430
Add: Depreciation/Amortization	75	82	82	85	90	96	103	109	116	122
Changes in Working Capital	(170)	(193)	(146)	(116)	(127)	122	170	227	293	370
Capex	(102)	(102)	(92)	(92)	(92)	(92)	(92)	(92)	(92)	(92)
Free CashFlow to Firm (FCFF)	<b>491</b>	<b>643</b>	<b>842</b>	<b>1,086</b>	<b>1,328</b>	<b>1,740</b>	<b>1,968</b>	<b>2,224</b>	<b>2,510</b>	<b>2,830</b>
Growth (%)		31.0	31.0	28.9	22.3	31.0	13.1	13.0	12.9	12.7

PV of Free cash flow (INR Mn)	8,747
End of period Terminal Value (INR Mn)	66,193
PV of Terminal value (INR Mn)	26,216
<b>Value of Firm (INR Mn)</b>	<b>34,963</b>
Less : Net debt (INR Mn)	(1,186)
<b>Equity Value (INR Mn)</b>	<b>36,149</b>
No. of shares (Nos)	57
<b>Fair Value per share/Target Price (INR)</b>	<b>625</b>
<b>CMP (INR)</b>	<b>409</b>
Terminal Growth Rate (%)	6.0
<b>WACC</b>	
Long Term Market Return (%)	11.8
Risk Free Rate (%)	6.3
Stock Beta (x)	0.80
Cost of Equity (%)	10.7
Pre-tax Cost of Debt (%)	9.0
Tax Rate (%)	25.1
Post-tax cost of debt (%)	6.7
Market Value of Equity (INR Mn)	23,228
Debt (INR Mn)	502
<b>Weighted Average Cost of Capital (%)</b>	<b>10.5</b>

Implied PE Multiple	FY28E
EPS FY28E (INR/sh)	19.1
DCF based TP (INR/sh)	625
Implied PE Multiple (x)	<b>32.7</b>

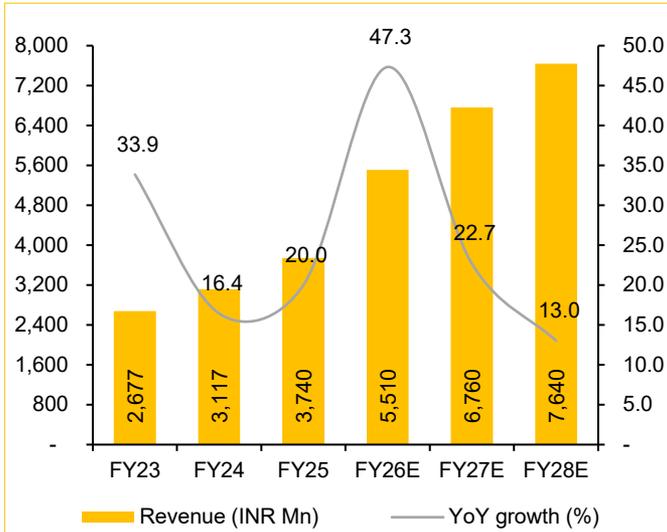
## Valuation

We believe SIRCA has a long runway of opportunity as high-quality PU-based wood coatings market in India is a structural growth story. Under these circumstances, we believe, the DCF-based approach is a suitable way to value SIRCA. In our DCF model, we have 5 years of explicit forecasts until FY30E, a terminal growth rate of 6% and WACC of 10.5%. We arrive at a TP of INR 625/sh.

We did a sanity check of our DCF-based TP of INR 625/sh using FY28E PE multiple, which is ~33x and reasonable in our view, given SIRCA's business fundamentals we discussed in the note.

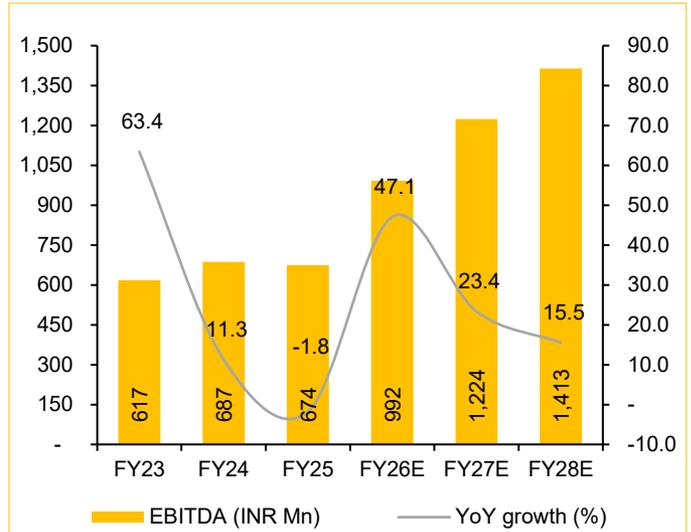
Source: SIRCA, Choice Institutional Equities

**Revenues to grow at a 27% CAGR over FY25–28E**



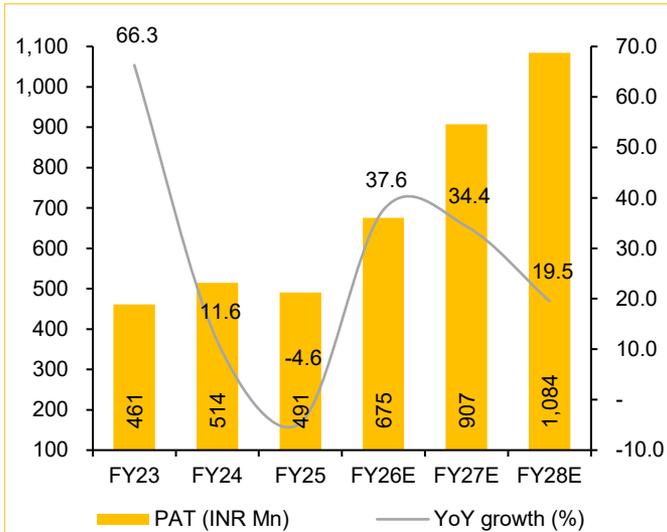
Source: SIRCA, Choice Institutional Equities

**EBITDA to expand at a 28% CAGR over FY25–28E**



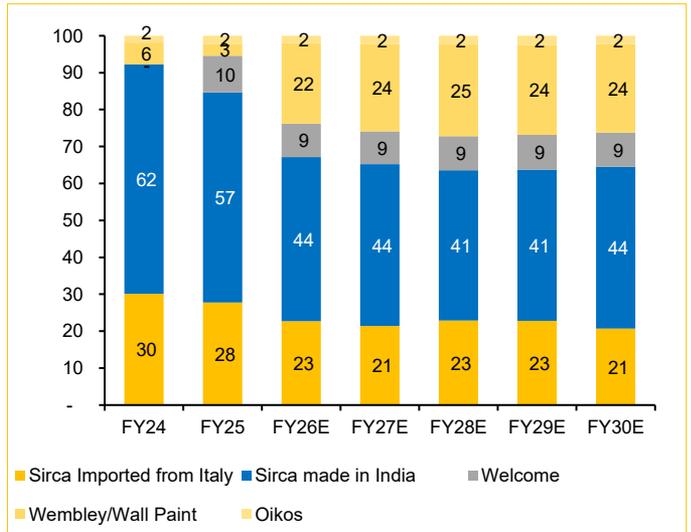
Source: SIRCA, Choice Institutional Equities

**PAT to grow at a 30% CAGR over FY25–28E**



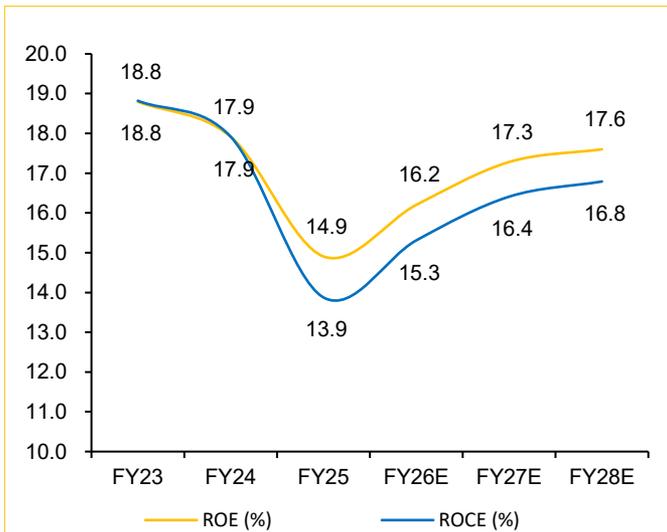
Source: SIRCA, Choice Institutional Equities

**Revenue Mix (%) - share of imported products to decline**



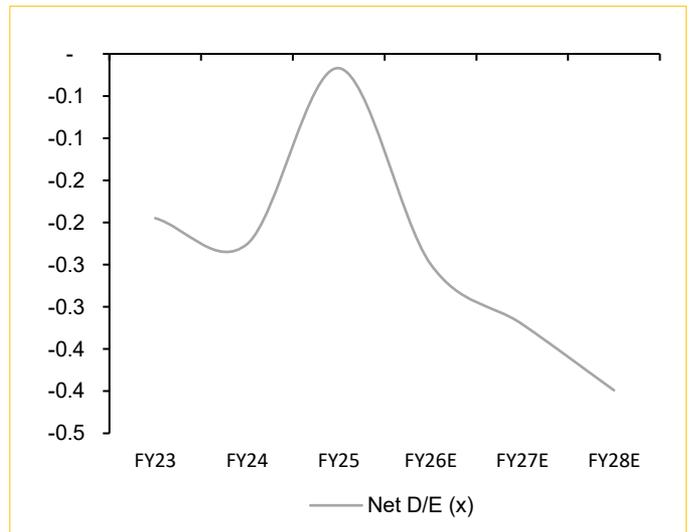
Source: SIRCA, Choice Institutional Equities

**Improving ROE and ROCE trends**



Source: SIRCA, Choice Institutional Equities

**Net debt to equity expected to decline significantly**



Source: SIRCA, Choice Institutional Equities

## Income Statement (Consolidated in INR Mn)

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue	3,117	3,740	5,510	6,760	7,640
Gross Profit	1,429	1,745	2,571	3,252	3,740
EBITDA	687	674	992	1,224	1,413
Depreciation	60	70	75	82	82
EBIT	627	605	916	1,141	1,332
Other Income	64	52	38	118	161
Interest Expense	0	2	54	50	47
PBT	691	655	900	1,210	1,446
PAT	514	491	675	907	1,084
EPS	9.4	9.0	11.9	16.0	19.1

Ratio Analysis	FY24	FY25	FY26E	FY27E	FY28E
<b>Growth Ratios (%)</b>					
Revenues	16.4	20.0	47.3	22.7	13.0
EBITDA	11.3	(1.8)	47.1	23.4	15.5
PAT	11.6	(4.6)	37.6	34.4	19.5
<b>Margins (%)</b>					
Gross Profit Margin	45.8	46.7	46.7	48.1	48.9
EBITDA Margin	22.0	18.0	18.0	18.1	18.5
Tax Rate	25.5	25.1	25.0	25.0	25.0
PAT Margin	16.2	12.9	12.2	13.2	13.9
<b>Profitability (%)</b>					
Return On Equity (ROE)	16.7	14.0	14.0	16.0	16.3
Return On Invested Capital (ROIC)	22.1	14.2	18.5	23.5	27.0
Return On Capital Employed (ROCE)	20.3	15.1	17.2	18.5	18.6
<b>Financial leverage (x)</b>					
OCF/EBITDA	0.8	1.0	0.9	0.9	1.0
OCF / Net Profit	1.1	1.4	1.3	1.3	1.3
Debt to Equity	-	0.1	0.1	0.1	0.1
<b>Working Capital (x)</b>					
Inventory Days	112	105	90	88	85
Receivable Days	77	91	80	78	75
Creditor Days	38	38	38	42	42
Working Capital Days	150	159	132	124	118
<b>Valuation Metrics</b>					
No of Shares (Mn)	54.8	54.8	56.8	56.8	56.8
EPS (INR)	9.4	9.0	11.9	16.0	19.1
Market Cap (INR Mn)	20,882	22,417	23,228	23,228	23,228
PE	40.6	45.7	34.4	25.6	21.4
P/BV	6.8	6.4	4.8	4.1	3.5
EV/EBITDA	29.4	33.2	22.2	17.5	14.6
EV/Sales	6.5	6.0	4.0	3.2	2.7

Source: SIRCA, Choice Institutional Equities

## Balance Sheet (Consolidated in INR Mn)

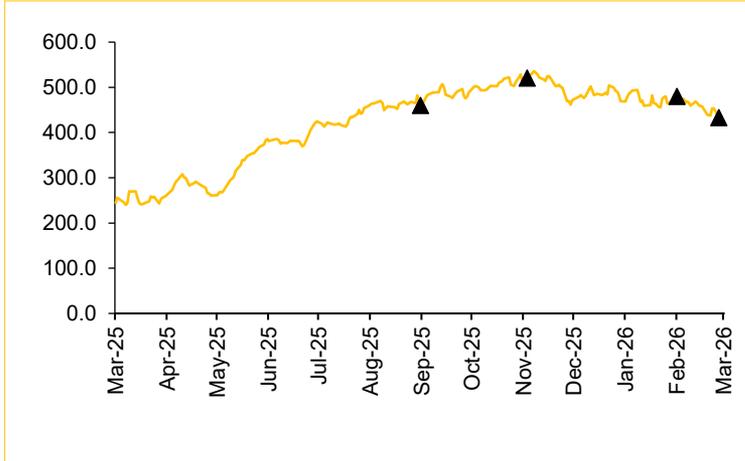
Particulars	FY24	FY25	FY26E	FY27E	FY28E
Net Worth	3,087	3,496	4,839	5,661	6,660
Total Debt	0	502	502	502	502
Other Liabilities & Provisions	0	5	5	5	5
<b>Total Net Worth &amp; Liabilities</b>	<b>3,087</b>	<b>4,003</b>	<b>5,346</b>	<b>6,168</b>	<b>7,167</b>
Net Fixed Assets	530	568	594	614	625
CWIP	58	2	2	2	2
Intangible	53	1,067	1,067	1,067	1,067
Investments	0	20	20	20	20
Other Non-current asset	33	83	83	83	83
Cash & bank balance	697	542	1,688	2,297	3,139
Net Current Assets	2,413	2,263	3,579	4,381	5,369
<b>Total Assets</b>	<b>3,087</b>	<b>4,003</b>	<b>5,346</b>	<b>6,168</b>	<b>7,167</b>

Cash Flows (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Cash Flows from Operations	548	706	860	1,149	1,428
Cash Flows from Investing	(100)	(1,068)	(102)	(102)	(92)
Cash Flows from Financing	320	(525)	533	744	975

DuPont Analysis	FY24	FY25	FY26E	FY27E	FY28E
Tax Burden (%)	74.5	74.9	75.0	75.0	75.0
Interest Burden (%)	110.1	108.2	98.2	106.0	108.5
EBIT Margin (%)	20.1	16.2	16.6	16.9	17.4
Asset Turnover (X)	1.0	0.9	1.0	1.1	1.1
Equity Multiplier (X)	1.0	1.1	1.1	1.1	1.1
<b>ROE</b>	<b>16.7</b>	<b>14.0</b>	<b>14.0</b>	<b>16.0</b>	<b>16.3</b>

Source: SIRCA, Choice Institutional Equities

**Historical share price chart: Sirca Paints Limited**



Date	Rating	Target Price
September 24, 2025	BUY	625
November 13, 2025	BUY	625
February 01, 2026	BUY	625
March 16, 2026	BUY	625

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<b>Large Cap*</b>	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
<b>Mid &amp; Small Cap*</b>	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
<b>Other Ratings</b>	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
<b>Sector View</b>	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

\*Large Cap: More Than INR 20,000 Cr Market Cap  
\*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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